

BOARD ACTION MEMORANDUM

TO: NCUA Board **DATE:** December 20, 2002
FROM: Regional Director Jane A. Walters **SUBJ:** Texas member business loan rule proposed change

ACTION REQUESTED: The NCUA Board is requested to approve the proposed change to the Texas member business loan rule.

DATE ACTION REQUESTED: January 23, 2003

OTHER OFFICES CONSULTED: Office of Examination and Insurance and Office of General Counsel

VIEWS OF OTHER OFFICES CONSULTED: The Office of Examination and Insurance has concurred with the recommendation to approve the change to the Texas member business loan rule. The Office of General Counsel has also concurred with this recommendation.

BUDGET IMPACT, IF ANY: None

RESPONSIBLE STAFF PERSON: C. Keith Morton, Donald G. Klein

SUMMARY: Detailed information is provided in the attached Regional Summary.

The state of Texas submitted a request for the NCUA Board to approve a change to their member business loan regulation. Their existing rule was approved by the NCUA Board on November 18, 1999. The proposed change provides the federally-insured state-chartered credit unions with the following:

- Ability to grant unsecured member business loans up to \$100,000;
- Reduced equity interest requirements for construction and land development loans; and
- Clarification of minor issues within the regulation.

While there are variations between this proposed rule and Part 723 of NCUA's Rules and Regulations, we believe the rule minimizes the risk and accomplishes the overall objectives of Part 723 of NCUA's Rules and Regulations.

CONCLUSION: We recognize state rules do not need to be identical to NCUA's rules in order to be acceptable. There are geographical differences which justify variations for credit unions operating in distinct environments. We believe approval of the proposed change to the Texas member business loan rule would not result in an unacceptable exposure to the NCUSIF.

RECOMMENDED ACTION: It is recommended the NCUA Board approve the proposed change to the Texas member business loan rule.

ATTACHMENTS: Regional summary, concurrence memorandums from the Offices of General Counsel and Examination and Insurance, and proposed state rule.

Jane A. Walters, Regional Director